

Remote control

The Community Development Program, remote Australia's Work for the Dole scheme

The CDP is expected to perform a herculean task. Remote Australia has few jobs and a disadvantaged workforce. However, the CDP is failing. It pays less than the minimum wage and imposes harsh penalties. It costs taxpayers more than similar programs. Government claims of success are based on creative interpretation of statistics, not on outcomes.

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Summary

The Community Development Program (CDP) is remote Australia's Work for the Dole (WFD) and "job assistance" scheme. In place since 2015, it operates across almost 75 percent of Australia's area, an area with a population of just 304,000 people. Indigenous people are over 80% of the CDP's 34,000 participants. In other words, CDP participants are 11 percent of the population in these regions.

This highlights a key point about remote Australia – there just are not jobs to be had. CDP regions have unemployment rates of up to 51%, when averaged across states and can be higher still at a local level. The situation is not helped by low educational attainment and low household incomes. A median family income in the NT's CDP regions is just \$1,137 per week, compared to the Australian average of \$1,734.

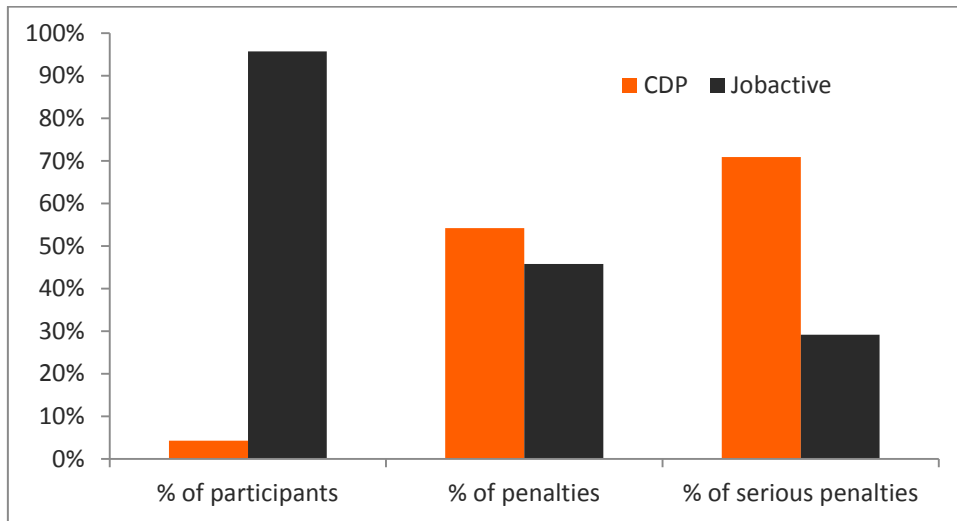
The CDP has been criticised by civil society groups, Indigenous groups, academics and even police with allegations that it pays below minimum wage and its penalty system is punitive, entrenching poverty, causing housing stress and even hunger. The Arnhem Land Progress Aboriginal Association has reported that fresh food sales at its stores declined by almost 10% per year under the two years of the CDP's operation.¹

CDP participants are typically required to work 25 hours a week for \$280 a week, or \$11.20 per hour. The current minimum wage is \$18.29 per hour. That is before any penalties that might be incurred.

In the most recent quarter, CDP participants received 52,813 penalties. A CDP participant is more than 25 times more likely to receive a penalty than a participant in urban Australia's Jobactive program. They are 55 times more likely to receive a serious penalty, as shown in Figure 1:

¹ ALPA (2017) *ALPA response to supplementary questions asked by the Senate Standing Committee on Finance and Public Administrations' CDP inquiry*; see also Wild (2016) *Remote work for dole branded a failure after figures show thousands of suspended payments*, <http://www.abc.net.au/news/2016-06-08/remote-work-for-dole-program-a-failure-academic-says/7492004>

Figure 1: CDP vs Jobactive participants and penalties



Source: Department of Employment (2017) *Job seeker compliance data – June quarter 2017*, p 25-26

Indigenous Affairs Minister Nigel Scullion has defended the CDP, saying “the number of payments that have been breached [as a result of penalties] represent less than 1% of the total welfare payments made to people not in work in remote communities”.

This 1% figure is misleading. Firstly, it appears to compare CDP penalties to total welfare payments. Current volumes of penalties suggest they cost \$18.4 million per year, or \$542 per year per CDP participant (3.7% of their total income support).

However, some CDP participants have stricter Work for the Dole requirements, and these 18,000 people are far more likely to be penalised. The total cost of penalties could represent 7.0% of their income support.

In practice, penalties do not apply equally to participants. For the 1,641 CDP participants last quarter who receive a serious penalty with a part waiver, the loss of an average of \$746 represents 20.5% of their income support. For the 441 CDP participants last quarter who receive a serious penalty with no waiver, the loss of \$2,314 represents 63.6% of their income support.

The Minister also claims that the CDP has:

- supported job seekers into more than 15,000 jobs.
- achieved more than 5,000 26 week employment outcomes.
- placed more than 85 per cent of eligible job seekers in work-like activities

A different interpretation of CDP’s results is that:

- Each year, less than one in five CDP participants is supported into a job, and less than one in 10 remains in that job for six months.
- On average, a CDP participant would spend 9.5 years in the scheme before achieving a 13-week employment outcome.
- On average, a participant would spend 12.7 years in the scheme before achieving a 26-week employment outcome.

The CDP is also expensive. For every dollar that a CDP recipient receives in income support, approximately 70 cents is spent administering the scheme. It costs five times as much per participant as Jobactive and twice as much as the scheme it replaced.

The achievement of 2,682 part- and full-time 26-week employment outcomes each year must be put in the context of the overall CDP scheme, which costs about \$360 million per year to operate. That amount could directly employ 19,700 people for 26 weeks full-time.

The task the CDP is expected to perform is herculean. Remote Australia has few jobs and a disadvantaged workforce. However, the CDP is failing. It pays less than minimum wage and imposes harsh penalties that can cost already low income households dearly. It costs taxpayers far more than similar programs. The government's claims about the success of the program are based on creative interpretation of statistics, not on outcomes. The CDP needs urgent reform or replacement.

Introduction

The Community Development Program (CDP) is the main program of job-related assistance for unemployed people in remote areas of Australia. It is effectively Work for the Dole (WFD) for vast areas of the country, and being focused on remote areas Indigenous Australians are the vast majority – around 84% – of its 33,000–38,000 participants (participant numbers fluctuate).

The CDP began in 2015 as the Coalition Government’s replacement for the Remote Jobs and Communities Program, which itself replaced the Community Development and Employment Program (CDEP). The CDP has been criticised by various civil society groups, Indigenous groups, academics and even police with allegations that the program has implemented punitive penalties to participants resulting in entrenched poverty, housing stress and even hunger.²

Tony Abbott has since said:

Abolishing CDEP was a well-intentioned mistake and CDP is our attempt to atone for it.³

By contrast, Indigenous Affairs Minister Nigel Scullion has defended the CDP, claiming it “has been a success” although conceding “more needs to be done”. The government points to various statistics to demonstrate this success, for example:

- The CDP has supported job seekers into more than 15,000 jobs.
- Participants have achieved more than 5,000 26-week employment outcomes.
- 85 per cent of eligible job seekers have been placed in work-like activities.⁴

² See for example Tomlin (2017) *Community Development Program driving up crime in remote WA communities, Senate committee told*, <http://www.abc.net.au/news/2017-08-23/community-development-program-driving-up-crime-senate-told/8835990>; ALPA (2017) *ALPA response to supplementary questions asked by the Senate Standing Committee on Finance and Public Administrations’ CDP inquiry*; see also Wild (2016) *Remote work for dole branded a failure after figures show thousands of suspended payments*, <http://www.abc.net.au/news/2016-06-08/remote-work-for-dole-program-a-failure-academic-says/7492004>

³ Aikman (2016) *Widen welfare rules to all jobless, says Tony Abbott*, <http://www.theaustralian.com.au/national-affairs/indigenous/widen-welfare-rules-to-all-jobless-says-tony-abbott/news-story/8720125387b8731d8dd6cd731cc18395>

⁴ Scullion (2017) *Minister Scullion: CDP hits major milestone for remote jobseekers*, <http://www.indigenous.gov.au/news-and-media/announcements/minister-scullyon-cdp-hits-major->

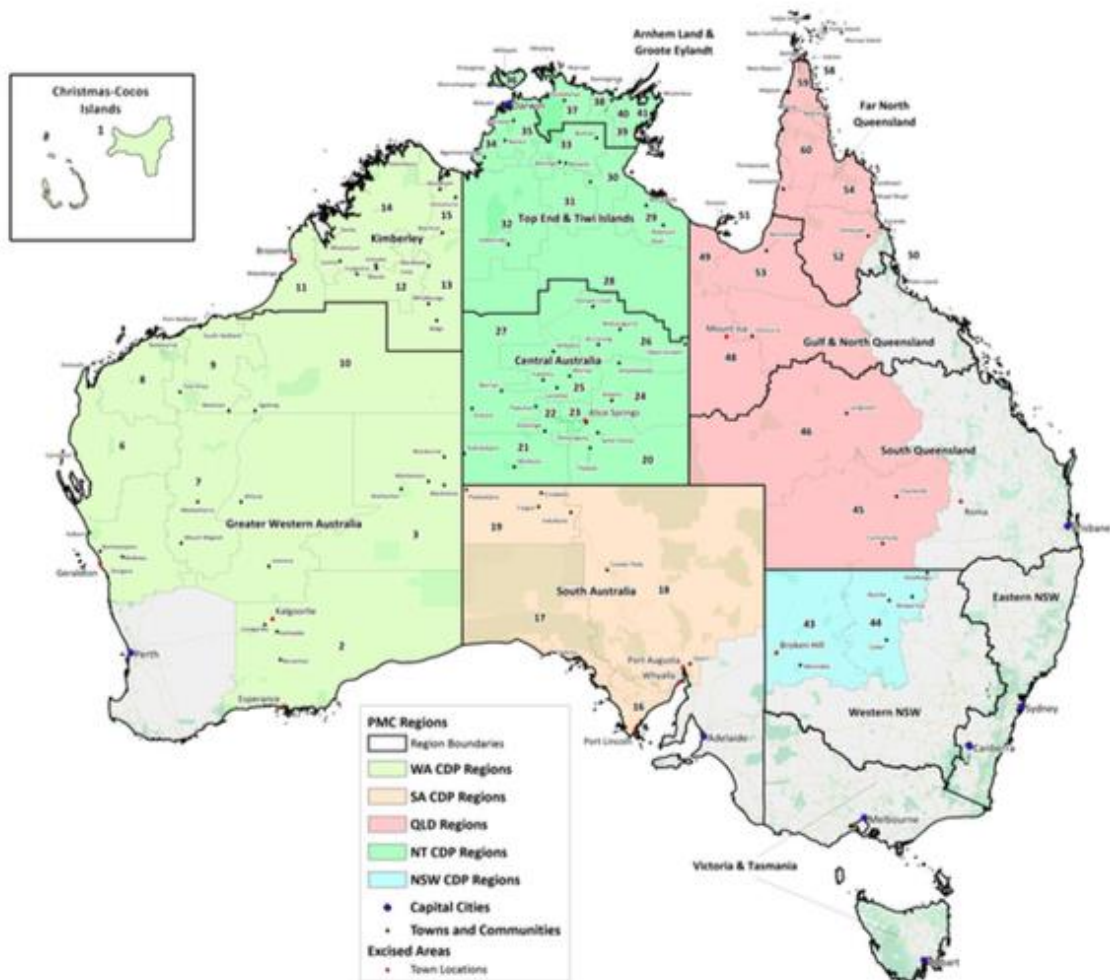
Without context, however, such statistics reveal little about the CDP overall or in comparison to the programs it has replaced.

[milestone-remote-jobseekers](#); Davidson (2016) *Nigel Scullion defends 'harmful' Indigenous work-for-the-dole program*, <https://www.theguardian.com/australia-news/2016/oct/05/nigel-scullion-defends-harmful-indigenous-work-for-the-dole-program>

Putting the CDP in context

The CDP operates across nearly 6 million square kilometres, including the most remote regions of the country, with larger towns generally excluded from the program. The program is divided into 60 regions across Western Australia, Northern Territory, South Australia, Queensland and NSW, as shown in Figure 1 below:

Figure 1: CDP regions map



Source: Department of Prime Minister and Cabinet (2017) *Where does the CDP operate?*

CDP AND REGIONAL POPULATION

Around 34,000 people participate in the CDP, a number that needs to be seen in the context of the population of the CDP regions. This is shown in Table 1 below for each state:

Table 1: Population in CDP regions by state

State	Total Persons in CPD regions	Labour force participation in CDP regions	CDP participants	Unemployment rate
NSW	11,018	4,581	1,030	23%
QLD	67,610	28,664	7,097	25%
SA	33,100	15,560	2,622	17%
WA	114,915	54,427	9,635	18%
NT	74,647	27,153	13,729	51%
Other	2,383		55	
Total	303,673		34,168	
Total Aust	23,401,892			

Sources: ABS (2016) *Census*; PM&C (2013) *Remote Jobs and Communities Program Region Maps*

Note: The CDP participant numbers refer to the RJCP.

Table 1 shows that just over 300,000 people live in CDP areas. 11 percent of the total population in CDP areas are participants in the CDP, with up to 18 percent in the NT.

The 2016 census gives us data on the size of the labour force (the number of people who are employed or are actively looking for a job) in the CDP regions. If we assume that those who are participating in the CDP program make up all the unemployed, then the unemployment rate in state CDP regions varies between 17 percent and 51 percent.

By contrast Jobactive, the program in urban and regional areas, has around 760,000 participants, just 3 percent of the total population. Clearly, labour markets in remote Australia are very different to those in more populated areas. There simply are not jobs for people to find.

INDIGENOUS POPULATION

The population of CDP regions has a high proportion of Indigenous Australians. As shown in Table 2, while CDP regions contain just one percent of the total Australian population, 15 percent of Australia's Indigenous population live in these areas.

Table 2: Total and Indigenous population in CDP areas

State	Total Persons	Total Indigenous	% Indigenous
NSW	11,018	3,195	29%
QLD	67,610	25,000	37%
SA	33,100	4,329	13%
WA	114,915	24,220	21%
NT	74,647	41,909	56%
Other	2,383	14	1%
Total	303,673	98,667	32%
Total Aust	23,401,892	649,171	3%

Source: ABS (2016) *Census*

Table 2 shows that in total a third of the population in CDP areas is Indigenous, with 56% in the NT. The portion of Indigenous people participating in the CDP is higher still, at around 80%,⁵ suggesting that Indigenous people have greater difficulty in accessing employment in CDP regions.

EDUCATION, AGE AND INCOME

CDP areas have fewer people who have completed high school, younger median age and lower income than the rest of Australia, as shown in Table 3 below:

Table 3: CDP regions education, median age and median income

State	Completed High School	Median Age	Median Family Income
NSW	33%	37.5	\$1,460
QLD	41%	35	\$1,262
SA	37%	41.2	\$1,197
WA	45%	33.6	\$1,745
WA (excl Pilbara)			\$1,341
NT	33%	29	\$1,137
Other	49%	32.6	\$1,340
Total	40%	33.8	\$1,415
Total Aust	57%	38	\$1,734

Source: ABS (2016) *Census*

⁵ PM&C (2017) *Where does the CDP operate?*

Table 3 shows that population in all CDP areas has substantially lower levels of high school completion, with no state's regions having over 50%. Populations are generally younger than the Australian median and household income is 18% lower.

The state with the highest median income in CDP areas is Western Australia, with \$1,745 per week (higher than the Australian average). This is because the CDP areas incorporating WA's iron ore mining centre in the Pilbara. If the Pilbara region is excluded then the median family income falls to \$1,341. In addition, Indigenous families tend to be larger than the Australian average, meaning that incomes per person are likely to be lower still.

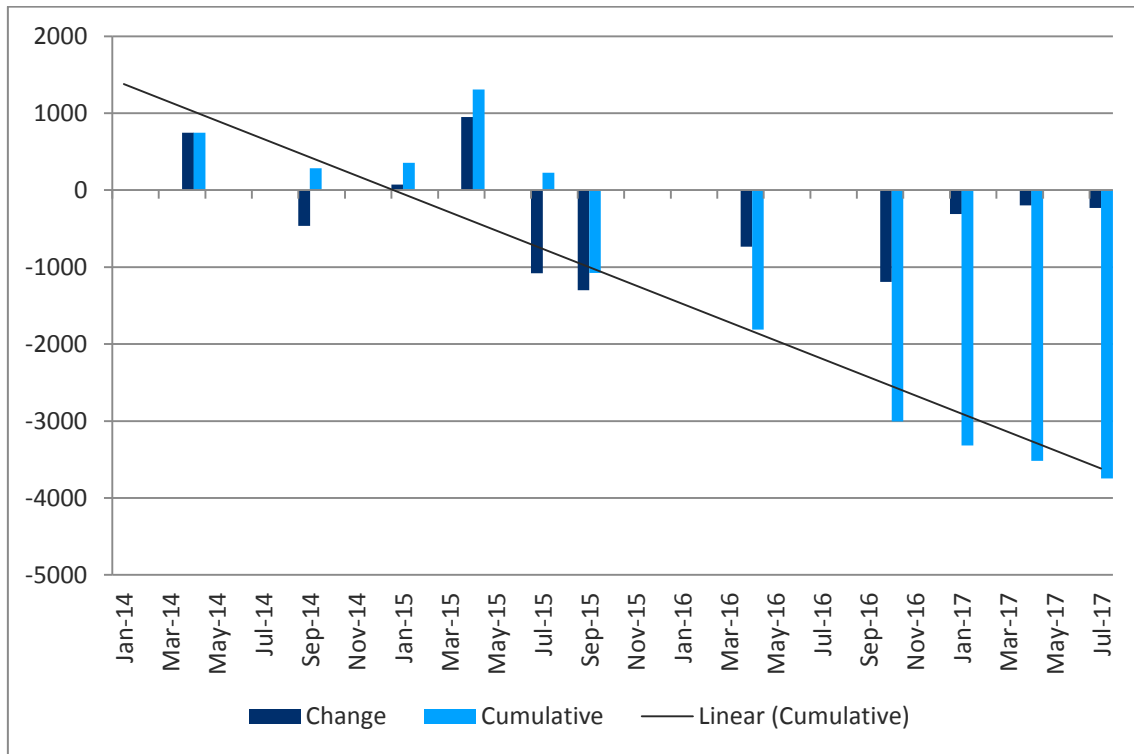
Given that the CDP operates across regions with few job prospects, high Indigenous populations, low education, and income levels, we might expect the program to take these issues into account and make participation easier and more flexible. This has not been the case. The CDP is far stricter than the programs it replaced or the Jobactive program that most Australians in populated areas would access.

PARTICIPATION

Where possible, we have used a standard rate of CDP participants of 34,000. Participation in the scheme has been falling since it began, which means that estimates of penalties per participant and likelihood of job placements are actually conservative. In addition, participants enter and leave the scheme over time, so while there may be 34,000 participants at any one point in a year, more than 34,000 participants would have been covered by the scheme overall in the year.

Participation figures in the CDP and the RJCP are available since January 2014, when there were 36,416 participants. By July 2017, the number had fallen to 32,670 – a reduction of 10%.

Table 4: RJCP/CDP changes by reporting period



Source: PM&C (2017) FOI/2017/149, p 2

Note: The department has not recorded the data on a consistent schedule. All available data points are provided in the above graph.

HISTORY AND BACKGROUND OF THE CDP

In remote areas, job related assistance like Work for the Dole should be structured differently to account for the lack of paid work opportunities, the unique challenges of remote life and – for most participants – Indigenous cultural and social practices.

CDP was specifically structured to be closer to full-time work than previous remote programs or indeed the concurrent Jobactive program (which covers 20 times as many people). The Department of Prime Minister and Cabinet says that remote areas don't have established labour markets, but used that lack to argue for a much stricter regime than applies anywhere else in the country:

In its advice to Government, PM&C proposed that Work for the Dole participation requirements should vary from the mainstream income support payment participation requirements. PM&C noted that implementing Work for the Dole for only six months of each year would not work in remote communities which often had virtually non-existent labour markets and where

there was a need to establish social norms. Consequently, PM&C advised that ‘only a comprehensive full time Work for the Dole program applied to all jobseekers will work in remote regions’. ‘Continuous’ Work for the Dole activities was also considered a key factor in reducing the high level of idleness in communities’.⁶

Previous remote programs also accounted for the nature of work in remote areas, but by providing more flexibility and variety rather than trying to emulate full-time work in places without conventional labour markets. In some cases, the schemes were much more ambitious in scope.

When Dr HC (Nugget) Coombs championed the establishment of the CDEP in 1977, he outlined a broad scope for the program:

[It is] not simply a means of providing employment as a source of a minimum cash income, but a training exercise in self-management and increasing independence for the Aboriginal communities involved.⁷

For the thirty years of its operation, CDEP fulfilled that role, with academic Jon Altman outlining five main roles for CDEP.

1. it provides flexible employment opportunities, often in contexts where there are no, or limited, mainstream employment opportunities, particularly for Indigenous people.
2. it provides income security and the opportunity to earn additional income from employment and enterprise [in particular, the scheme did not have the standard social security taper so participants could earn more without the loss of base income].
3. it provides opportunity for education and training.
4. it can assist participants to move into mainstream (unsubsidised) employment.
5. and most innovatively, it acts as an instrument for economic and community development.⁸

⁶ ANAO (2017) *Design and implementation of the Community Development Programme*, p 27

⁷ Jordan and Fowkes (compilers) (2016) *Job creation and income support in remote Indigenous Australia: Moving forward with a better system*, p 12

⁸ Bullets added by the authors. Altman and Gray (2005) *The CDEP scheme: A flexible and innovative employment and community development program for Indigenous Australians*, p 5

Scheme structures

Under both CDP and Jobactive, “jobseekers” (those with participation requirements attached to their income support) are required to Work for the Dole. However, the CDP scheme has considerably higher work requirements which, combined with bureaucratic penalty enforcement, results in many more penalties being applied to CDP participants than Jobactive participants. These penalties are financial, amounting to about 20% of a weekly dole payment (\$56 for someone on \$280 a week, for example) per ‘no show’ breach.⁹

WORK REQUIREMENTS

About 33,000-35,000 people are covered by CDP.¹⁰ Of these, about 18,000 are Work for the Dole participants and 16,000 are Basic Services-only participants.¹¹ Basic Services are the job assistance provided to all participants. Basic Services-only participants are those not required to Work for the Dole.¹²

CDP Work for the Dole participants are typically required to work 25 hours a week for 46 weeks a year (1,150 hours a year), and that work must take place on all five week days (Monday to Friday).¹³ Jobactive Work for the Dole participants are typically required to work 15 hours a week for 26 weeks a year (390 hours a year), and work does not have to take place on all five week days. Jobactive participants under 30 years of age are required to work 25 hours a week, although again only for 26 weeks rather

⁹ \$280 is used as a benchmark in this report as it is the weekly Newstart payment for a single person with no children plus the WFD supplement of \$10.40. Partnered people receive less, and people with children receive more. There are other forms of income support as well. Department of Human Services (n.d.) *Newstart allowance: How much can you get*,

<https://www.humanservices.gov.au/individuals/services/centrelink/newstart-allowance/how-much-you-can-get>; Australian Government (2017) *Guide to social security law*, s 3.2.9.60,

<http://guides.dss.gov.au/guide-social-security-law/3/2/9/60>

¹⁰ ANAO (2017) *Design and implementation of the Community Development Programme*, p 16

¹¹ ANAO (2017) *Design and implementation of the Community Development Programme*, p 16-17

¹² Fowkes (2017) *Background note on CDP*, <https://www.clc.org.au/>

¹³ Australian Government (2017) *Guide to social security law*, s 3.2.9.70, <http://guides.dss.gov.au/guide-social-security-law/3/2/9/70>

than 46 (650 hours a year).¹⁴ Note that from September 2018 Jobactive participants under 50 will be required to work 25 hours a week.¹⁵

Jobactive participants receive weekly income support for Work for the Dole roughly equivalent to what they would make if they were earning minimum wage for those hours. For example, a participant receiving \$280 a week and working 15 hours is effectively “earning” \$18.67 per hour for those weeks where they are required to work (the current minimum wage is \$18.29 per hour).¹⁶ Those expected to work for 25 hours, like CDP participants, instead effectively “earn” \$11.20 an hour, and that is before financial penalties are considered.

This contrasts most strikingly with the CDEP, where participants “earned” their income support through 15 hours of work, and then additional “top up” pay at award rates was often available if participants worked more hours. On average, CDEP participants earned \$100 more per week than those on income support outside of the scheme.¹⁷

When Jobactive participants receive a serious penalty resulting in a freezing of income support, they can “work off” their penalty by temporarily working 25 hours a week. In other words, the standard workload for CDP participants is considered a punishment for most Jobactive participants.

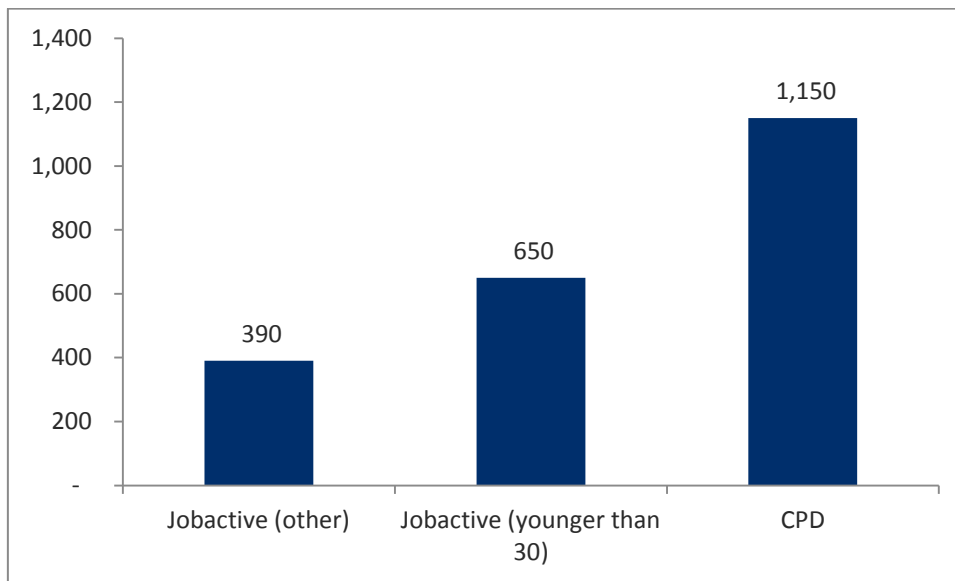
¹⁴ Department of Employment (n.d.) *Work for the Dole Information for job seekers*, <https://www.employment.gov.au/work-dole-information-job-seekers>

¹⁵ Department of Social Services (2017) *Welfare reform: 2017 budget*, p 2, https://www.dss.gov.au/sites/default/files/documents/05_2017/budget_2017_-_welfare_reform_-_fact_sheet_for_web_0.pdf

¹⁶ Fair Work Ombudsman (n.d.) *Minimum wages*, <https://www.fairwork.gov.au/how-we-will-help/templates-and-guides/fact-sheets/minimum-workplace-entitlements/minimum-wages>

¹⁷ Altman and Gray (2005) *The CDEP scheme: A flexible and innovative employment and community development program for Indigenous Australians*, p 4-5, 6, 13; Jordan and Fowkes (compilers) (2016) *Job creation and income support in remote Indigenous Australia: Moving forward with a better system*, p 1; Altman, Gray and Levitus (2005) *Policy issues for the Community Development Employment Projects scheme in rural and remote Australia*, p 10-11, http://caep.cass.anu.edu.au/sites/default/files/docs/2005_DP271_0.pdf

Figure 2: Comparison of hours per year expected from Jobactive and CDP participants



Sources: Australian Government (2017) *Guide to social security law*, s 3.2.9.70; Department of Employment (n.d.) *Work for the Dole Information for job seekers*

PENALTY STRUCTURE

The most common penalty for CDP participants is a No Show No Pay penalty, which results in a loss of 10% of their fortnightly income support, or about \$56.

After three No Show No Pay penalties in a six month period, participants are considered for a serious penalty: a suspension of income support for up to eight weeks. The eight week penalty can be partially or wholly waived, or participants can “work it off”.

A peculiar outcome of the extra work requirements for CDP participants is that to “work off” your eight week penalty you can Work for the Dole for 25 hours a week. That’s a significant penalty for those on Jobactive, who usually only work 15 hours a week, but not a penalty for CDP participants who are already required to work 25 hours a week.¹⁸

¹⁸ Fowkes (2016) *Update on impact of the Community Development Programme on social security penalties*, p 4

CDP providers have a financial incentive to log non-attendance by participants (which leads automatically to a financial penalty applied by Centrelink).¹⁹ Providers are randomly checked to ensure they are applying the rules.

Under CDEP, providers had flexibility in terms of what qualified as “work” and how to manage staff absences.²⁰ In CDP, there is little room for discretion, with one provider saying:

If we penalise someone under this model it impacts their housing, their ability to pay their power – so there is really no safety net.²¹

The strictness of the penalty structure, and its administration by Centrelink far from the coalface, leads to inflexibility despite the realities of life in remote Australia. These include high demand for the few community phones available and language barriers when calls do get through to Centrelink.²² The National Audit Office found lengthy wait times for Centrelink calls, and that these times had worsened over the last few years, although remote areas did have shorter wait times on average.²³

COMPARING PENALTIES

Compared to Jobactive, CDP has far fewer participants, but far higher portions of penalties, particularly serious penalties. More penalties are handed out to CDP participants than to Jobactive participants, even though there are 20 times more Jobactive participants than CDP participants.

In the quarter ending June 2017, CDP participants received 52,813 penalties, including 44,451 No Show No Pay penalties. In the same period, Jobactive participants received 44,593 penalties.²⁴ This means that a CDP participant was more than 25 times more likely to receive a penalty than a Jobactive participant.

¹⁹ Jordan and Fowkes (compilers) (2016) *Job creation and income support in remote Indigenous Australia: Moving forward with a better system*, p 16

²⁰ Jordan and Fowkes (compilers) (2016) *Job creation and income support in remote Indigenous Australia: Moving forward with a better system*, p 1

²¹ Jordan and Fowkes (compilers) (2016) *Job creation and income support in remote Indigenous Australia: Moving forward with a better system*, p 15

²² Jordan and Fowkes (compilers) (2016) *Job creation and income support in remote Indigenous Australia: Moving forward with a better system*, p 3

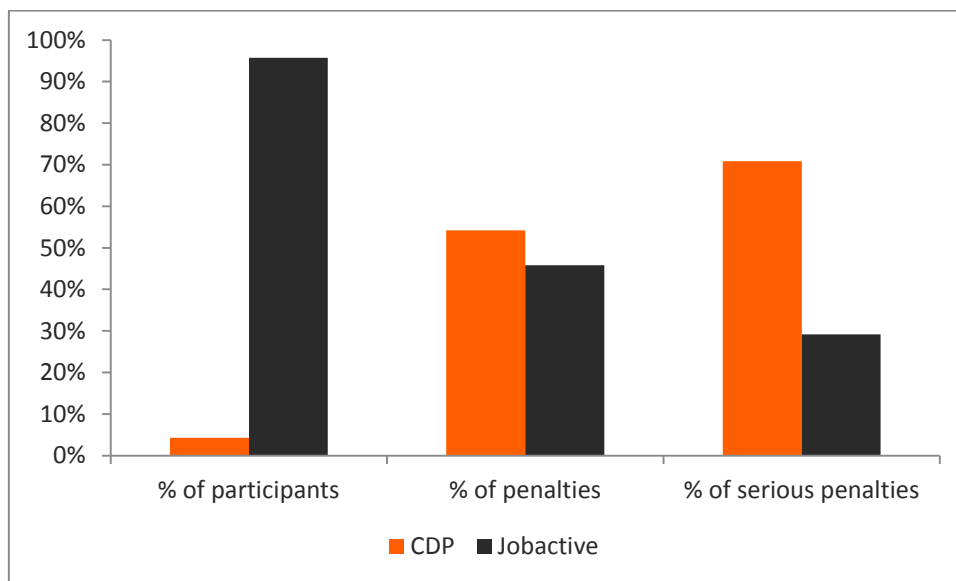
²³ ANAO (2017) *Design and implementation of the Community Development Programme*, p 47

²⁴ Department of Employment (2017) *Job seeker compliance data – June quarter 2017*, p 25-26, <https://docs.employment.gov.au/documents/job-seeker-compliance-public-data-june-quarter-2017>

In the quarter ending June 2017, CDP participants received 7,868 serious penalties, which result in up to eight weeks without income support. Fewer serious penalties were applied to Jobactive participants, 3,215, meaning that CDP participants were 55 times more likely to receive a serious penalty than a Jobactive participant.²⁵

Figure 3 illustrates the two ways in which CDP participants are disproportionately penalised. Per person, they receive many more penalties than Jobactive participants do. The share of serious penalties is even more skewed against CDP participants.

Figure 3: CDP and Jobactive participants and penalties



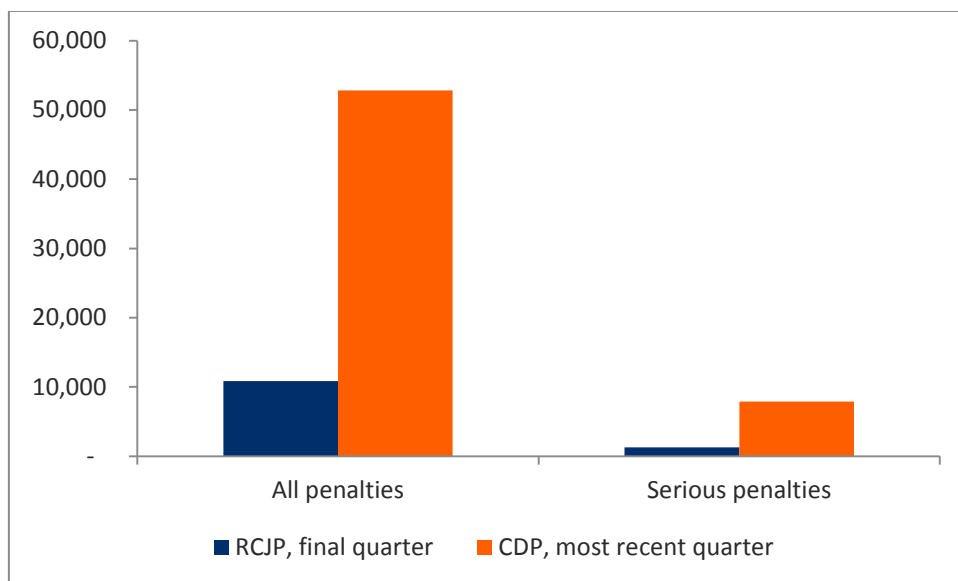
Source: Department of Employment (2017) *Job seeker compliance data – June quarter 2017*, p 25-26

The CDP’s predecessor, the RCJP, also had more penalties per participant than the mainstream income support. However, the distortion was much less extreme. Figure 4 demonstrates the significant growth in penalties between the final quarter of the RJCP (June 2015) and the most recent quarter of the CDP (June 2017). Five times as many penalties and six times as many serious penalties are applied under the CDP as were applied under the analogous RJCP scheme two years earlier.

²⁵ Assumes that penalties are evenly spread. In practice, some jobseekers receive multiple penalties. Department of Employment (2017) *Job seeker compliance data – June quarter 2017*, p 25-26, <https://docs.employment.gov.au/documents/job-seeker-compliance-public-data-june-quarter-2017>

In its final quarter, RJCP participants received 10,842 penalties.²⁶ That is about one-fifth as many penalties as were applied in the most recent quarter of the CDP scheme, and it was the quarter with the highest number of penalties over the lifetime of the scheme. Even then, RJCP participants were “only” seven times more likely to receive a penalty than a non-remote jobs assistance participant,²⁷ rather than the 25 times more likely they were in the most recent quarter of the CDP.

Figure 4: Comparing RJCP and CDP penalties



Source: Department of Employment (2015) *Job seeker compliance data – June quarter 2015*; Department of Employment (2017) *Job seeker compliance data – June quarter 2017*

SEVERITY OF PENALTIES

The CDP penalty regime is costing people in remote areas a significant share of their overall income support.

Last year, in response to concerns about excessive penalties, Minister Scullion stated that “the number of payments that have been breached [as a result of penalties]

²⁶ Department of Employment (2015) *Job seeker compliance data – June quarter 2015*, p 24-25, https://docs.employment.gov.au/system/files/doc/other/job_seeker_compliance_june_quarter_2015_data_d15-592217.pdf

²⁷ Department of Employment (2015) *Job seeker compliance data – June quarter 2015*, p 24-25, https://docs.employment.gov.au/system/files/doc/other/job_seeker_compliance_june_quarter_2015_data_d15-592217.pdf

represent less than 1% of the total welfare payments made to people not in work in remote communities”.²⁸

However, penalties now represent a much larger portion of the welfare payments of some people in remote areas. CDP participants who receive a serious penalty are at risk of losing up to 64% of their welfare payments in a quarter. In addition, the number of penalties has increased dramatically. The most recent quarter saw 44% more penalties, and 64% more serious penalties, than when Minister Scullion made his remarks.

Since we know that a “penalty day” is worth 10% of a fortnight’s income support, or about \$56, we can calculate a rough figure for how much income support is lost annually from penalties. Those on higher or lower levels of income support would receive proportionally higher or lower penalties, but the portion of their overall income that the penalty represents would stay the same.

Penalties greater for some participants

Some people are disproportionately penalised under the CDP, meaning that the effect of penalties on their welfare payments is far greater than the overall numbers would suggest.

CDP participants receive 1,641 partially waived and 441 not-waived eight week penalties per quarter. That represents a loss of \$2.1 million per quarter from serious penalties. They also received 44,945 short term “penalty days” in the last quarter, which represents a further \$2.5m lost each quarter.

For the 1,641 CPD participants a quarter who receive a serious penalty with a part waiver, the loss of an average of \$746 represents 20.5% of their income support that quarter.

For the 441 CDP participants each quarter who receive a serious penalty with no waiver, the loss of \$2,314 represents 63.6% of their income support that quarter. Between them, these two groups represent 6% of all CDP participants.

This is calculated from the Department of Employment release of 2015-16 data for what share of serious penalties are partially or fully waived, and the number of weeks

²⁸ Davidson (2016) *Nigel Scullion defends ‘harmful’ Indigenous work-for-the-dole program*, <https://www.theguardian.com/australia-news/2016/oct/05/nigel-scullion-defends-harmful-indigenous-work-for-the-dole-program>

of income support lost. 94% of serious penalties under the CDP were waived,²⁹ although this includes penalties that are “worked off”.³⁰ Four-fifths of these (78%) were fully waived and the remaining fifth (22%) were partially waived (on average, those receiving a partial waiver missed 2.4 weeks of income support).³¹ See Table 5 below for more details.

The overall burden of penalties is likely to be concentrated on the 18,000 CDP participants who have Work for the Dole participants. Almost half of CDP participants, about 16,000, are on “Basic Services”. While it is possible for them to receive penalties,³² it is likely that a disproportionate number of penalties are applied to those with daily Work for the Dole requirements.

If all penalties are accrued by the 18,000 participants with Work for the Dole requirements, this represents 7.0% of their income support.

Penalties growing over time

Even if penalties are distributed across all CDP participants, and not limited to those with Work for the Dole requirements, they still represent 3.7% of the income support paid to CDP participants.

The dramatic increase in the number of CDP penalties means that Minister Scullion’s figure of 1% is now out-of-date. In addition, Minister Scullion is comparing penalties, which only apply to some people not in work, with welfare payments to all people not in work in remote communities.

The June 2017 quarter had 44% more penalties for CDP recipients, including 64% more serious penalties, than the average for the 2015-16 year.

²⁹ Scullion (2016) *Facts don’t back up ANU report on CDP*,
<http://www.nigelscullion.com/media+hub/Facts+don%E2%80%99t+back+up+ANU+report+on+CDP+;>

Department of Prime Minister and Cabinet (2017) Questions on Notice, Estimates, Number 99
³⁰ The waiver is described as “jobseekers choos[ing] to re-engage with the program”: Tomlin (2017) *Work-for-the-dole crime claim rejected by Indigenous Affairs Minister Nigel Scullion*,
<http://www.abc.net.au/news/2017-08-25/indigenous-affairs-minister-rejects-cdp-crime-claims/8842190>

³¹ Scullion (2016) *Facts don’t back up ANU report on CDP*,
<http://www.nigelscullion.com/media+hub/Facts+don%E2%80%99t+back+up+ANU+report+on+CDP+;>
Department of Prime Minister and Cabinet (2017) Questions on Notice, Estimates, Number 99

³² “Job seekers that do not have requirements to attend CDP activities may still have mutual obligations (for example, attending appointments with their CDP provider and undertaking job search where appropriate). Where these mutual obligations are not met, penalties may be applied in line with the national Job Seeker Compliance Framework”: Department of the Prime Minister and Cabinet (2016) *Question on notice 202*

If current volumes of penalties continue, the penalty regime will cost welfare recipients about \$4.6 million a quarter, or \$18.4 million per year. This is \$135 a quarter (\$542 a year) for each of the 34,000 CDP participants, or 3.7% of their total income support.

Calculations

Table 5 demonstrates the overall impact of penalties on CDP participants per quarter. Short-term penalties each represent a single “penalty day”, that is to say a 10% reduction in a person’s fortnightly welfare payments. Serious penalties are broken down by those receiving a full waiver (no penalty), no waiver (eight weeks lost, i.e. 40 penalty days) or partial waiver (resulting in an average of 2.4 weeks lost, i.e. 12 penalty days).

This gives a total of 82,267 penalty days per quarter, for a total income support loss of \$4.6m a quarter.

Table 6 then applies these figures to all CDP participants, the average CDP participant, and then two example CDP participants: one who receives a part waiver (after 2.4 weeks, the average) and one who receives no waiver.

For these people, the total loss is far greater than the average of 3.7%. For those receiving no waiver, it is as high as 64%. This is actually a conservative estimate, since people receiving serious penalties would also receive more short-term penalties, but in this analysis they have just been assigned the average, of \$74/quarter.

Table 7 converts the quarterly results from Table 5 and Table 6 to yearly ones.

Table 5: Penalties and loss of income support (CDP scheme), per quarter

Waiver Status	Share	Penalties	Penalty days	Income support loss
Short-term penalties				
		44,945	44,945	\$2,516,920
Serious penalties				
Full waiver	74%	5,786	-	\$ -
Partial	21%	1,641	19,697	\$1,103,057
No waiver	6%	441	17,624	\$986,962
Sub-total	100%	7,868	37,322	\$2,090,019
All penalties				
Total		52,813	82,267	\$4,606,939

Table 6: Penalties in context of the CDP scheme, per quarter

Participant	CDP income support	Serious penalties	Short-term penalties	Total loss	Total loss
All	\$123,760,000	\$2,090,019	\$2,516,920	\$4,606,939	3.7%
Average	\$3,640	\$61	\$74	\$135	3.7%
Part waiver	\$3,640	\$672	\$74	\$746	20.5%
No waiver	\$3,640	\$2,240	\$74	\$2,314	63.6%

Sources: Department of Employment (2017) *Job seeker compliance data – June quarter 2017*, p 25-26, <https://docs.employment.gov.au/documents/job-seeker-compliance-public-data-june-quarter-2017>; Department of Prime Minister and Cabinet (2017) *Questions on Notice, Estimates, Number 99*

Table 7: Penalties per year, projected from quarterly figures

Period	Short-term penalties	Serious penalties	Penalty days	CDP income support per participant	Income support loss per CDP participant
Quarter	44,945	7,868	82,267	\$3,640	\$135
Year	179,780	31,472	329,068	\$14,560	\$540

COST OF DELIVERY

The CDP costs five times as much per participant to deliver as the scheme operating elsewhere in the country, Jobactive. Remote schemes are to be expected to be more expensive to deliver, but significantly the CDP also costs twice as much to deliver per participant as the RJCP did.³³ The RJCP is the scheme that the CDP replaced, so it also had to contend with the difficulties of remote delivery.

Significantly, this cost is separate and additional to the cost of income support payments to CDP recipients.

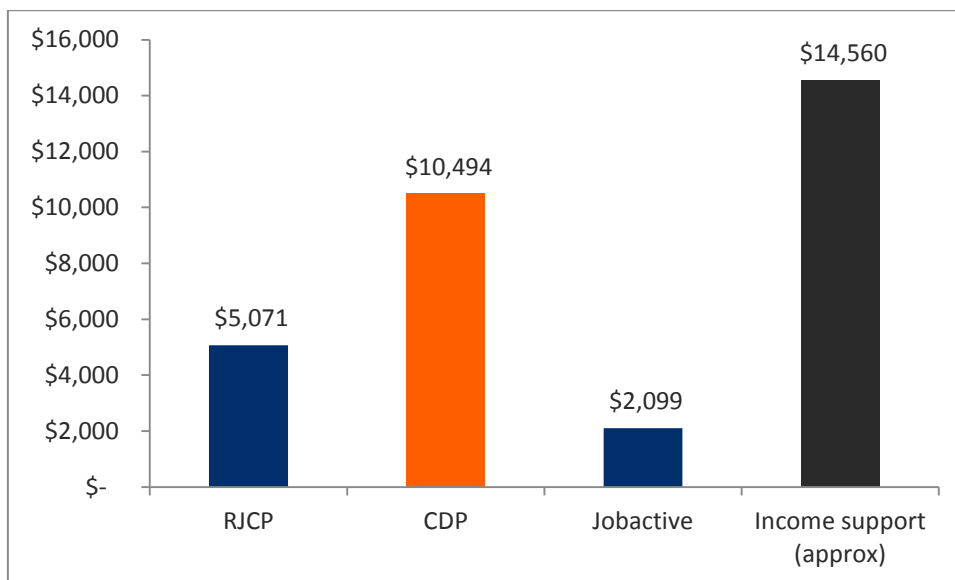
Figure 5 shows the costs of delivering the CDP and comparable programs to participants. For reference, it also shows the annual income support that a Newstart recipient would expect to receive (single, no children). For every dollar that a CDP recipient receives in income support, approximately an additional 70 cents is spent administering the CDP scheme.

It should be noted that there are a variety of levels of income support, some higher and some lower than \$14,560 per annum. The CDP scheme also has participants who

³³ ANAO (2017) *Design and implementation of the Community Development Program*, p 41

are not on income support, for example because they have been placed in employment by the scheme.

Figure 5: Cost of delivery per participant compared with income support delivered



Source: ANAO (2017) *Design and implementation of the Community Development Program*, p 41

JOB PLACEMENTS AND OUTCOMES

Fewer than one in five CDP participants, 6,670 people, are placed in work each year, and less than half of them remain in that placement for six months or more.

Minister Scullion announced in May that CDP had placed over 15,000 participants in jobs, with 5,000 of those having achieved a six-month employment outcome, since it began in July 2015.³⁴ The National Audit Office has somewhat lower but similar figures (12,226 placements, 6,544 13-week employment outcomes and 4,915 26-week employment outcomes).³⁵ These figures are for just under two years. Per year, this represents 6,670 placements, 3,570 13-week outcomes and 2,682 26-week outcomes.

Of the 13- and 26-week placements, about a third are “partial” employment outcomes and the remainder are “full” employment outcomes.³⁶ A full outcome is where a participant fully meets their Mutual Obligation Requirements, typically because they

³⁴ Scullion (2017) Minister Scullion: CDP hits major milestone for remote jobseekers, <http://www.indigenous.gov.au/news-and-media/announcements/minister-scullion-cdp-hits-major-milestone-remote-jobseekers>

³⁵ ANAO (2017) *Design and implementation of the Community Development Programme*, p 30

³⁶ PM&C (2017) *FOI/2017/149*, p 1

are employed for 25 hours a week or earn enough to receive no income support. It does not mean that they are employed full time.

With 34,000 CDP participants,³⁷ in a given year each participant has a 19.6% chance to receive a job placement. 54% of those placed will remain employed for 13 weeks, and 40% of those placed will remain employed for 26 weeks.³⁸ 46% will not make it to a 13-week outcome.

Put another way, a CDP participant would spend an average of 9.5 years in the scheme before achieving a 13-week employment outcome. During that time, \$99,933 would have been spent delivering CDP services to that person. Assuming the person is employed full time at minimum wage,³⁹ they would earn \$9,040 over their 13-week employment.

A participant would spend 12.7 years on average in the scheme before achieving a 26-week employment outcome. The CDP delivery cost at that time would be \$133,055, and the participant would be expected to earn about \$18,080 during their six months of employment. Of course, some would continue in their employment and leave the CDP scheme after that time, saving future CDP delivery costs.

In its first year, the RJCP achieved a similar number of job placements, 6,508. It had many fewer 13-week and 26-week employment outcomes (1,167 and 387),⁴⁰ but since it was the scheme's first year, many placements would not have run for 13 or 26 weeks by the end of the year.

Analogous data was not reported in 2014-15, RJCP's second and final year. However, the broader Jobs, Land and Economy Programme (of which RJCP would represent about a third of job placements) saw 44% of job placements achieve a 26-week job outcome in that year.⁴¹ This is similar to the CDP's rate of 40%. RJCP also cost half as much per participant to deliver.

³⁷ This is actually a conservative figure. While there are about 34,000 participants at a time, the "jobseeker caseload" per year is 38,000, reflecting people entering and leaving the scheme. ANAO (2017) *Design and implementation of the Community Development Programme*, p 41

³⁸ ANAO (2017) *Design and implementation of the Community Development Programme*, p 30.

³⁹ Only some placements are full time, but some placements may pay above minimum wage.

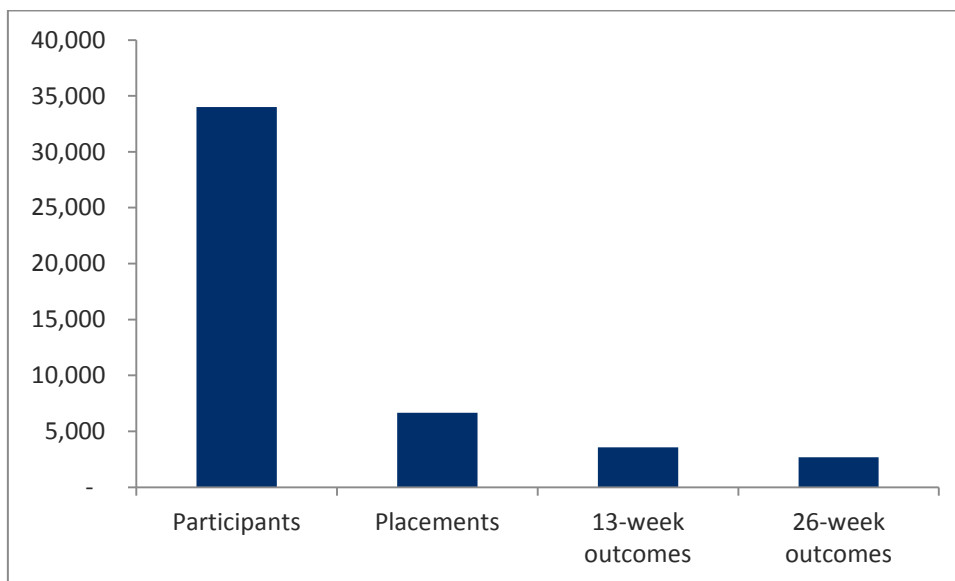
⁴⁰ Department of Prime Minister and Cabinet (2014) *Annual report 2013-14*, Figure 2.12, https://www.pmc.gov.au/sites/default/files/publications/annual_reports/2013-14/html/indigenous-affairs.html#fig212

⁴¹ Department of Prime Minister and Cabinet (2015) *Annual report 2014-15*, Figure 2.2, https://www.pmc.gov.au/sites/default/files/publications/annual_reports/2014-15/dpmc_annual_report_2014_15_part_2.pdf

The achievement of 2,682 part- and full-time 26-week employment outcomes each year must be put in the context of the overall CDP scheme, which costs about \$360 million per year to operate. That amount could directly employ 19,700 people for 26 weeks full-time,⁴² or it could employ 30,300 people for 26 weeks for 25 hours a week (a “full employment outcome” as defined in the CDP). This is separate to the cost of income support payments themselves.

Minister Scullion has described “getting people into jobs” as “the best part” of the CDP scheme.⁴³ In each year, less than 10% of CDP participants receive a job that lasts six months or more.

Figure 6: Employment outcomes for scheme participants



Source: ANAO (2017) *Design and implementation of the Community Development Programme*, p 30

⁴² Assuming minimum wage (\$18.30) and a 38-hour work week.

⁴³ Scullion (2017) *Minister Scullion: CDP hits major milestone for remote jobseekers*, <http://www.indigenous.gov.au/news-and-media/announcements/minister-scullion-cdp-hits-major-milestone-remote-jobseekers>

Conclusion

CDP participants live in remote areas with high unemployment and low incomes. These are places that generally lack conventional job markets. Despite the limitations of remote life, the CDP scheme has stricter requirements and harsher penalties than both the schemes that it replaced and the schemes operating elsewhere in Australia.

There are 20 times as many non-remote welfare recipients as there are CDP participants, but CDP participants receive more penalties. A penalty can cost up to eight weeks in income support in a quarter, or 64% of the participant's income.

Minister Scullion is correct that the participants in the CDP have been placed into 15,000 jobs. However, almost half do not remain in these jobs for 13 weeks, and more than half do not remain in them for 26 weeks. Overall, less than one in 10 CDP participants each year is placed in a job that they remain in for six months or more.

The harshness of the scheme has not achieved results. It is twice as expensive to administer as the schemes that it replaced, and a participant can expect to spend over 12 years on average in the scheme before achieving six months of employment. That employment may not even be full time.